

SMPG Corporate Actions WG

SR2016 SMPG Temporary MP on Taxability Indicator TXAP//TXBL

(Follow up on CR 0983)

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# Temporary Market Practice for SR2016 for the Usage of the Taxability Indicator TXAP//TXBL

**1. Background information**

The SR2016 approved change request CR0983 was requesting the creation of additional taxability indicator codes (:22H::TXAP) in the movements sequences of the MT564 and MT566 to indicate the taxability of an event (for instance to indicate the eligibility for the IRS section 302) in addition to the existing more generic TXBL code (:22H::TXAP//TXBL).

The CA MWG agreed implementation of the CR resulted in the change of the format option for the TXAP qualifier, i.e. replacing the format :22H: by the format :22F: allowing for the definition of a Data Source Scheme for the usage of local /country specific taxability codes as illustrated below in appendix A for the MT564 seq. E1.

**However, the implementation resulted (erroneously) in the removal of the TXBL indicator code value itself which was ultimately not at all in the intention of the CA MWG.**

**Therefore the SMPG CA WG has agreed at its April 2016 meeting in Helsinki to submit a change request to SWIFT for SR2017 requesting to reinstate the deleted TXBL code value and to provide for a temporary market practice as a workaround for the usage of the TXBL code until SR2017 as described in the section below.**

**2. Temporary Market Practice for the usage of TXBL in movement sequences of the MT564 and MT566**

During SR2016, the SMPG CA WG recommends to use the TXBL indicator code in sequence E1 and E2 of the MT564 and in the sequence D1 and D2 of the MT566 as follows:

***:22F::TXAP//TXBL***

This will not be rejected by the SWIFT validation even if the TXBL code is no longer explicitly defined in the Standards.

**Appendix A**

Illustration of the SR2016 CR0983 implementation for the TXAP qualifier in sequence E1 of the MT564:

**MT 564 Field Specifications**

68. Field 22a: Indicator

FORMAT

|  |  |  |
| --- | --- | --- |
| Option F | :4!c/[8c]/4!c | (Qualifier)(Data Source Scheme)(Indicator) |
| Option H | :4!c//4!c | (Qualifier)(Indicator) |

PRESENCE

Mandatory in optional subsequence E1

QUALIFIER

(Error code(s): T89)

| **Order** | **M/O** | **Qualifier** | **R/N** | **CR** | **Options** | **Qualifier Description** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | M | CRDB | N |  | H | Credit/Debit Indicator |
| 2 | O | TEMP | N |  | F | Temporary Indicator |
| 3 | O | NELP | N |  | F | Non Eligible Proceeds Indicator |
| 4 | O | TXAP | N |  | **~~H~~ F** | Issuer/Offeror Taxability Indicator |
| 5 | O | NSIS | N |  | H | New Securities Issuance Indicator |

DEFINITION

This qualified generic field specifies:

|  |  |  |
| --- | --- | --- |
| CRDB | Credit/Debit Indicator | Specifies whether the value is a debit or credit. |
| NELP | Non Eligible Proceeds Indicator | Specifies information regarding outturn resources that cannot be processed by the CSD. Special delivery instruction is required from the account owner for the CA outcome to be credited. |
| NSIS | New Securities Issuance Indicator | Indicates whether the securities are newly issued or not. |
| TEMP | Temporary Indicator | Specifies that the security identified is a temporary security identification used for processing reasons, for example, contra security used in the US. |
| TXAP | Issuer/Offeror Taxability Indicator | Proceeds are taxable according to the information provided by the issuer/offeror. |

**~~CODES~~**

**~~In option H, if Qualifier is TXAP, Indicator must contain the following code (Error code(s): K22):~~**

|  |  |  |
| --- | --- | --- |
| **~~TXBL~~** | **~~Taxable~~** | **~~The securities proceeds are taxable.~~** |

**CODES**

**If Qualifier is TXAP, Data Source Scheme must be used, for example, IRSX in the United States. The lists of Issuer/Offeror taxability codes to be used in Indicator are provided in the document titled "TXAP Taxability Codes" that is available on the SMPG website at www.smpg.info.**

USAGE RULES

The Issuer/Offeror Taxability Indicator (TXAP) may only be used when no tax rate is provided in the message. It must not be used in events such as dividend or interest.